

Industry Circular



Internal Revenue Service

Alcohol, Tobacco, and Firearms Division
Washington, D.C. 20224

Industry Circular No. 70-11

March 13, 1970

MISCELLANEOUS AMENDMENTS TO 26 CFR PART 240, WINE

Proprietors of bonded wine cellars
and others concerned:

Purpose. This circular is issued to inform you of the more significant provisions of a Treasury decision which will amend the regulations in 26 CFR Part 240, Wine. These amendments were published as a notice of proposed rule making in the Federal Register for June 17, 1969. The Treasury decision adopting these amendments will soon be published in the Federal Register and will become effective May 1, 1970.

Minimum production and storage requirements. The amended regulations provide, in § 240.120, that a person desiring to establish a bonded wine cellar having a production capacity of less than 1,000 gallons or a storage capacity of less than 5,000 gallons shall, before filing an application on Form 698, submit a letter application, in triplicate, to the Director, Alcohol, Tobacco and Firearms Division, setting forth the necessity for establishing such premises and receive his approval. Upon receipt of approval from the Director, the person may then proceed to apply to the Assistant Regional Commissioner for permission to operate a bonded wine cellar in the manner now set forth in the present regulations.

Tanks located outside of buildings. The amended regulations permit wine spirits storage tanks and wine spirits addition tanks to be located outside of buildings, under certain conditions and requirements for the security of the spirits set forth in §§ 240.160 and 240.166.

Formulas. An amendment to § 240.213 provides that obsolete formulas on Form 698-Supplemental for which a proprietor no longer has any use need not be retained on the premises but may be surrendered to the Director, through the Assistant Regional Commissioner. The amended regulations also provide for the submission of riders to approved formulas where a proprietor desires to make a change in the ingredients, or in the process of production, which would not alter the character of the product, and for the adoption by a successor of his predecessor's approved formulas.

Return of leaking tank car or tank truck to consignor. A new section, § 240.620, has been added to permit the return of a leaking tank car or tank truck to the consignor in order to avoid an excessive loss of wine. In order to accomplish this, the consignor shall have on file with the Assistant Regional Commissioner a consent of surety to extend the terms of his bond to cover the tax on the quantity of wine originally transferred in bond. This consent of surety may be continuing and, as a precaution, may be filed in advance of an actual occurrence of a leaking tank car or truck.

Withdrawal of wine spirits for wine spirits addition. The amendments to §§ 240.822 and 240.825 liberalize the procedure for filing applications for withdrawal of wine spirits for wine spirits additions. Under these provisions, where a distilled spirits

plant and bonded wine cellar are located on contiguous premises, the proprietor's application on Form 257 may cover all wine spirits to be transferred to the wine cellar during the calendar year, rather than only during the month, as in existing regulations. Also, where the proprietor of a bonded wine cellar has a bond in the maximum penal sum, he may file one Form 257 to cover all wine spirits to be transferred from a noncontiguous distilled spirits plant to his wine cellar during the calendar year.

Daily records. An amendment to § 240.922 clarifies recordkeeping provisions by requiring that a record of each transaction or operation be made at the time the transaction or operation occurs. If records are made on work orders or supplemental or auxiliary records, those orders and records shall be retained as part of the proprietor's records.

Miscellaneous liberalizing and clarifying amendments. In addition to the major changes discussed above, a number of miscellaneous liberalizing and clarifying changes have been made in the wine regulations. These include: expanding Table V, Gallons of water required to reduce 1 gallon of concentrated juice to a desired degree Brix, to cover a wider range (§ 240.980); updating and simplifying the list of materials authorized for the treatment of wine and adding appropriate references to the Food and Drug Regulations in 21 CFR Part 121 including identification of those materials which are generally recognized as safe ("GRAS") (§ 240.1051); permitting cases to be marked to show the number and size of bottles in each case, in lieu of, or in addition to, the contents in wine gallons (§§ 240.562 and 240.564); and specifying the kind and number of copies of certain applications required to be filed.

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol, Tobacco and Firearms.



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